

## Inflation Expectations Survey of Households: June 2011 (Round 24)\*

*This article presents the findings of Inflation Expectations Survey of Households conducted in the April-June 2011 quarter, the 24<sup>th</sup> round in the series. The survey captures the inflation expectations of 4,000 urban households across 12 cities for the next three months and for the next one year. These expectations are based on their individual consumption baskets and, hence, these rates should not be considered as predictors of any official measure of inflation. The households' inflation expectations provide useful directional information on near-term inflationary pressures and also supplement other economic indicators to get a better indication of future inflation. The survey results are those of the respondents and not necessarily shared by the Reserve Bank of India.*

*The current round of the survey shows that the three-month ahead inflation expectations of households have tended to be slightly lower at 11.8 per cent from 11.9 per cent in the last round of survey but one-year ahead inflation expectations have moved slightly higher at 12.9 per cent from 12.7 per cent. The survey findings indicate that households expect inflation to rise further by 60 and 170 basis points during next three-month and next one-year period respectively, from the perceived current rate of 11.2 per cent. The percentage of respondents expecting price rise have gone up for all product groups (viz., food, non-food, household durables, housing and services). However, expectations on general price rise were mainly influenced by movements in food prices. On category-wise inflation expectations, daily-wage workers and housewives expected higher inflation rates compared to other categories. Across the cities, Bangalore expected the highest inflation while expectations were the lowest for Hyderabad. 25 per cent of the respondents felt that RBI is taking necessary action to control inflation, of which, 51 per cent felt that RBI's action has an impact on controlling inflation.*

\* Prepared in the Division of Household Surveys, Department of Statistics and Information Management. The previous article on the subject was published in June 2011 RBI Bulletin.

### I Introduction

Reserve Bank of India has been conducting Inflation Expectations Survey of Households (IESH) on a quarterly basis, since September 2005. The survey elicits qualitative responses on expected price changes (general prices as well as prices of specific product groups) in the next three-month as well as in the next one-year and quantitative responses on current, three-month ahead and one-year ahead inflation expectations. Inflation expectations of households are subjective assessments and are primarily based on their individual consumption baskets and, therefore may be different from the official inflation numbers released periodically by the government.

### II Data Coverage and Methodology

The survey schedule (Annex) designed for the IESH has been organised into six blocks. The first block seeks respondents' particulars including name, contact details, gender, age and occupation (category). The second and third blocks seek product-wise price expectations for three months ahead and one year ahead, respectively. The fourth block assesses the respondents' feedback on the Reserve Bank's action to control inflation. The fifth block collects the rate of inflation of the respondent for three time points - current, three-month ahead and one-year ahead. The last block captures the information on the amount paid by the respondents for the purchase of major food items, viz., Milk (per litre), Wheat-atta (per kg), Rice (per kg), Chana dal (per kg) and Tur dal (per kg) during last one month.

#### II.1 Data Coverage

The Reserve Bank conducts this survey in 12 cities on a quarterly basis. The major metropolitan cities, viz., Delhi, Kolkata, Mumbai and Chennai are represented by 500 households each, while another eight cities, viz., Jaipur, Lucknow, Bhopal, Ahmedabad, Patna, Guwahati, Bangalore and Hyderabad are represented by 250

**Table 1: Respondents' Profile (Category) –  
Share in Total Sample**

Category of Respondents	Share in Total (%)	Target Share (%)
Financial Sector Employees	9.6	10.0
Other Employees	16.2	15.0
Self-Employed	20.6	20.0
Housewives	29.9	30.0
Retired Persons	8.9	10.0
Daily Workers	9.0	10.0
Other categories	5.9	5.0
Total	100	100

Note: Sample proportion above is for the quarter ended June 2011 survey.

households each. The respondents are well spread-out across the cities to provide a good geographical coverage. The proportion of male and female respondents in the current round of the survey is in the ratio of 3:2. The category-wise representation of the respondents is presented in Table 1. The sample coverage is nearly as per the target in all rounds.

## II.2 Information Collected

The price expectations are sought for general prices and for five product groups (food products, non-food products, household durables, housing and services). The general price comprises prices of all the product groups taken together. The options for responses are (i) price increase more than current rate, (ii) price increase similar to current rate, (iii) price increase less than current rate, (iv) no change in prices and (v) decline in prices. The first three of the five options pertain to the respondents' expectations on

the rate of future price increase compared to the current rate. These expectations are sought from the respondents for three-month ahead as well as one-year ahead period. The inflation expectations of the respondents that represent the year-on-year changes in prices are collected through Block 5. The inflation rates are collected in intervals – the lowest being 'less than 1 per cent' and the highest being '16 per cent and above' with 100 basis point size for all intermediate classes. The information on the respondents' awareness on the Reserve Bank's action to control inflation as well as the impact of the Reserve Bank's action on inflation is obtained in Block 4 from the 21<sup>st</sup> survey round (quarter ended September 2010). From the 22<sup>nd</sup> round (quarter ended December 2010), a question was added in Block 6 to capture the information on the amount paid by the respondents for the purchase of major food items, viz., Milk (per litre), Wheat-atta (per kg), Rice (per kg), Chana dal (per kg) and Tur dal (per kg) during the last one month.

## III Survey Results

### III.1 General Price Expectations

The survey results show that the percentage of respondents expecting increase in general prices for both three-month ahead and one-year ahead period have gone up in the latest round. The proportion of respondents in each of these response categories in the last 10 rounds is presented in Table 2. The percentage of respondents expecting price increase

**Table 2: General Price Expectations**

Round No./survey period (quarter ended) →	15	16	17	18	19	20	21	22	23	24
	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11
<b>Options</b>	<b>Three-month ahead (percentage of respondents)</b>									
<b>Prices will increase</b>	92.0	93.1	95.8	97.4	95.7	95.3	96.5	98.6	96.0	98.7
Price increase more than current rate	54.9	63.5	72.2	74.6	66.9	72.7	72.2	74.3	72.9	71.8
Price increase similar to current rate	22.4	20.7	18.4	16.6	20.0	20.0	21.0	22.0	20.4	19.8
Price increase less than current rate	14.8	8.9	5.1	6.2	8.8	2.6	3.3	2.3	2.7	7.1
<b>No change in prices</b>	6.9	6.1	3.7	2.4	3.4	4.2	2.9	1.1	3.5	1.2
<b>Decline in price</b>	1.1	0.9	0.6	0.3	0.9	0.5	0.6	0.4	0.5	0.1
<b>Options</b>	<b>One-year ahead (percentage of respondents)</b>									
<b>Prices will increase</b>	95.6	93.7	96.3	96.3	96.5	95.2	95.6	98.9	96.1	98.7
Price increase more than current rate	64.7	62.8	69.5	68.2	62.8	70.8	70.4	77.4	73.4	73.3
Price increase similar to current rate	15.9	18.5	17.3	15.2	19.8	18.7	19.7	17.9	18.6	18.0
Price increase less than current rate	15.0	12.4	9.5	12.9	13.9	5.7	5.6	3.6	4.2	7.4
<b>No change in prices</b>	3.3	5.3	3.1	3.1	2.6	3.8	3.5	0.9	3.5	1.3
<b>Decline in price</b>	1.1	0.9	0.7	0.6	0.9	1.1	0.9	0.3	0.3	0.0

over the next three-month ahead and one-year ahead period have both increased to 98.7 per cent from around 96.0 per cent in the previous round (January-March 2011). However, for both these periods, the proportion of respondents who expect this price increase to be 'higher than current rate' has fallen marginally from the proportions registered in last round of survey, but the proportion of respondents who expects this price increase to be 'less than current rate' have increased in respect of previous quarter.

### III.2 Product Group-Wise Price Expectations

The product group-wise price expectations are given in Statement I. For three-month ahead and one-year ahead price expectations, the percentage of respondents expecting increase in prices has gone up for all product groups, *viz.*, food products, non-food products, household durables, housing and services. For the three-month ahead period, in case of food and non-food products prices, there has been a reduction in percentage of households which perceive price increase 'similar to the current rate'. However, the proportion of households which expects price increase 'more than the current rate' has gone up. In case of household durable prices, the proportion of households expecting price increase 'more than the current rate' and 'similar to the current rate' has gone up as compared with the previous round. Similarly, *vis-à-vis* the last round of survey, more households expect housing prices and cost of services to increase at lower than the current rate.

**Table 3: Percentage of Respondents Expecting General Price Movements in Coherence with Movements in Price Expectations of Various Product Groups: Three-month Ahead**

(percentage of respondents)

Round No.	Survey Quarter	Food	Non-Food	Household Durables	Housing	Cost of Services
15	Mar-09	85.4	85.3	62.8	73.0	73.9
16	Jun-09	87.0	79.3	59.4	72.0	76.7
17	Sep-09	89.1	81.3	56.5	78.1	82.2
18	Dec-09	88.3	83.6	62.3	82.7	79.3
19	Mar-10	87.4	81.4	66.5	78.1	76.6
20	Jun-10	89.9	82.4	63.6	80.2	80.8
21	Sep-10	91.4	86.1	64.8	79.2	76.7
22	Dec-10	92.3	77.3	58.9	82.5	76.6
23	Mar-11	85.5	78.9	62.5	82.5	76.4
24	Jun-11	88.5	83.0	68.1	80.4	80.0

### III.3 Coherence Between General Prices and Product Groups' Prices

General price expectations are influenced by the price expectations in respect of various product groups. However, price expectations of certain product groups can influence the general price expectations more than other products. Therefore, a measure of coherence between general prices and prices of various product groups was derived based on the total percentages of respondents who expect similar movements in general price and those of various product groups. This degree of coherence between general price and prices of various product groups for three-month ahead and one-year ahead period is depicted in Table 3 and Table 4.

As in the past rounds, the general price expectations are more aligned with food price expectations as compared to other product groups. This association was the lowest with household durables prices. In the current round of the survey, about 88.5 per cent and 94.8 per cent of the respondents are seen to have been influenced by changes in food prices for arriving at three-month ahead and one-year ahead general price expectations respectively. The extent of coherence between general price expectations and that of other product groups has, by and large, increased in the current survey round as compared with the previous round.

### III.4 Inflation Expectations

The perception on current inflation rate and expectations for three-month ahead and one-year

**Table 4: Percentage of Respondents Expecting General Price Movements in Coherence with Movements in Price Expectations of Various Product Groups: One-year Ahead**

(percentage of respondents)

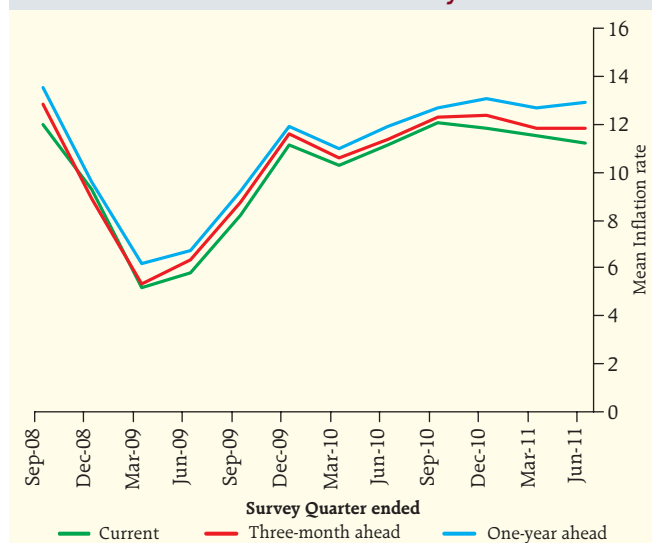
Round No.	Survey Quarter	Food	Non-Food	Household Durables	Housing	Cost of Services
15	Mar-09	89.1	88.1	65.3	79.4	74.8
16	Jun-09	89.2	82.2	61.4	76.8	78.5
17	Sep-09	91.9	85.8	65.0	78.9	82.3
18	Dec-09	91.1	88.4	69.0	82.8	79.3
19	Mar-10	89.9	83.6	67.3	79.7	76.2
20	Jun-10	91.7	83.2	67.2	79.4	81.1
21	Sep-10	93.4	88.0	66.8	81.0	76.3
22	Dec-10	91.7	83.5	62.4	83.0	78.8
23	Mar-11	89.8	81.6	68.1	82.4	80.6
24	Jun-11	94.8	86.6	70.4	81.6	81.6

**Table 5: Household Inflation Expectations – Current, Three-month Ahead and One-year Ahead**

Survey Round No.	Survey Quarter ended	Three-month Expectation period	Inflation rate in Per cent		
			Current	Three-month Ahead	One-year Ahead
13	Sep-08	Oct-Dec 08	12.0	12.8	13.5
14	Dec-08	Jan-Mar 09	9.3	8.9	9.6
15	Mar-09	Apr-Jun 09	5.2	5.3	6.2
16	Jun-09	Jul-Sep 09	5.8	6.3	6.7
17	Sep-09	Oct-Dec 09	8.2	8.7	9.2
18	Dec-09	Jan-Mar 10	11.1	11.6	11.9
19	Mar-10	Apr-Jun 10	10.3	10.6	11.0
20	Jun-10	Jul-Sep 10	11.1	11.4	11.9
21	Sep-10	Oct-Dec 10	12.1	12.3	12.7
22	Dec-10	Jan-Mar 11	11.8	12.4	13.1
23	Mar-11	Apr-Jun 11	11.5	11.9	12.7
24	Jun-11	Jul-Sep 11	11.2	11.8	12.9

ahead inflation since round 12 (September 2008) are presented in Table 5 and Chart 1. It represents the average of inflation rate reported by 4,000 households. The current round of the survey shows that the three-month ahead inflation expectations of households have tended to be slightly lower at 11.8 per cent from 11.9 per cent in the last round of survey but one-year ahead inflation expectations have moved slightly higher at 12.9 per cent from 12.7 per cent. The respondents' view of the current inflation and the three-month ahead expected inflation in the current survey round have declined by 30 and 10 basis points, respectively, whereas one-year ahead expected inflation rate has increased by 20 basis points *vis-à-vis* corresponding

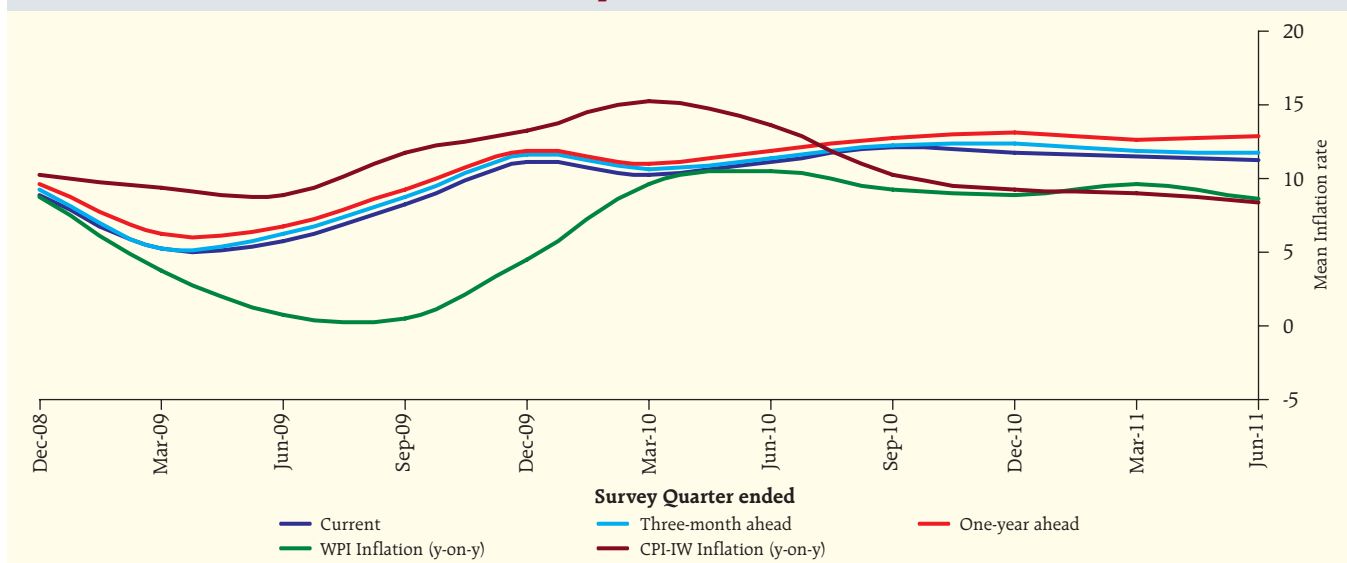
**Chart 1: Household Inflation Expectations – Current, Three-month Ahead and One-year Ahead**



average rates reported in the previous round. The survey findings also indicate that households expect inflation to rise further by 60 and 170 basis points during next three-month and next one-year, period respectively, from the perceived current rate of 11.2 per cent. Though these inflation expectations provide useful inputs on directional movements of future inflation, these are not to be treated as forecast of any official measure of inflation.

It may be seen from Chart 1 that the short and long-term expectations corresponding to three-month and one-year ahead periods lie above the perceived current inflation rates.

**Chart 2: Households Inflation Expectations *vis-à-vis* Official Inflation Numbers**



**Table 6: Volatility in Responses in Various Rounds**

Round No.	Survey Quarter ended	Inflation Rate					
		Current		Three-month Ahead		One-year Ahead	
		Mean %	Std. Dev.	Mean %	Std. Dev.	Mean %	Std. Dev.
14	Dec-08	9.3	1.9	8.9	3.5	9.6	3.9
15	Mar-09	5.2	1.9	5.3	2.6	6.2	2.7
16	Jun-09	5.8	4.4	6.3	4.6	6.7	4.7
17	Sep-09	8.2	6.0	8.7	6.0	9.2	5.9
18	Dec-09	11.1	4.9	11.6	4.9	11.9	5.1
19	Mar-10	10.3	4.4	10.6	4.7	11.0	4.8
20	Jun-10	11.1	3.6	11.4	4.1	11.9	4.2
21	Sep-10	12.1	3.2	12.3	3.6	12.7	3.8
22	Dec-10	11.8	3.5	12.4	3.7	13.1	3.6
23	Mar-11	11.5	3.1	11.9	3.7	12.7	3.6
24	Jun-11	11.2	3.4	11.8	3.3	12.9	3.3

Chart 2 depicts the household inflation expectations along with the official inflation measures based on Wholesale Price Index for all commodities (WPI) and Consumer Price Index for Industrial Workers (CPI-IW). For a large part of the survey history, the households' inflation expectations remained between the WPI and CPI-IW inflation rates. However, from September 2010 round of the survey, household inflation expectations are higher than the official inflation rates. In the current round also, the same trend has been observed.

### III.5 Volatility in Responses

Over different rounds of the survey, the volatility in the responses in terms of standard deviation has been observed to be lower for current inflation rate as compared to three-month ahead and one-year ahead expected inflation rates (Table 6). However, in the latest

**Table 8: Gender-wise Inflation Expectations for June 2011 Survey Round**

Gender-wise	Current		Three-month Ahead		One-year Ahead	
	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
Male	11.1	3.5	11.7	3.3	12.9	3.3
Female	11.4	3.3	12.0	3.2	12.9	3.3

round, the volatility in all the three periods were more or less at the same level.

The total variability in responses for inflation expectations may partly be explained by different classificatory factors (*viz. gender, age-group, city and category*) of respondents over different rounds. An Analysis of Variance (ANOVA) carried out over different rounds revealed that 'city' has always been a significant source of variation in each round (Table 7). Category of the respondents has also been observed to be a significant source of variation particularly since last one year. This may be due to variation in consumption baskets across the cities and across the categories of the respondents.

### III.6 Gender-wise Expectations

In the current round of survey, though female respondents expected marginally higher inflation rates as compared to their male counterparts, the analysis finds no significant difference between male and female respondents' responses for current, three-month ahead and one-year ahead periods (Table 8).

### III.7 Category-wise Expectations

The category of respondents indicates their occupation status. For the latest survey round, daily workers and housewives reported higher inflation

**Table 7: Factors that Explain the Total Variability**

Round No.	Survey Quarter ended	Current	Three-month Ahead	One-year Ahead
14	Dec-08	City, Gender, Age	City, Gender, Category	City, Category
15	Mar-09	City, Category	City, Gender, Category	City, Category
16	Jun-09	City, Gender, Category, Age	City, Gender, Category	City, Category, Age
17	Sep-09	City, Age	City, Age	City, Age
18	Dec-09	City, Category, Age	City, Age	City
19	Mar-10	City, Category, Age	City, Category	City, Category
20	Jun-10	City, Category, Age	City, Category, Age	City, Category, Age
21	Sep-10	City, Gender, Category, Age	City, Gender, Category	City, Category
22	Dec-10	City, Category	City, Category	City, Category
23	Mar-11	City, Category	City, Category	City, Category, Age
24	Jun-11	City, Category	City, Category	City, Category

**Note:** Results based on exercise using Analysis of Variance.

**Table 9: Category-wise Inflation Expectations for June 2011 Survey Round**

Occupation	Current		Three-month Ahead		One-year Ahead	
	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
Financial Sector Employees	10.6	3.2	11.3	3.1	12.1	3.6
Other Employees	11.0	3.4	11.6	3.3	12.8	3.1
Self-Employed	11.3	3.5	11.8	3.4	13.0	3.4
Housewives	11.4	3.4	12.0	3.2	13.1	3.2
Retired Persons	11.2	3.3	11.9	3.1	13.0	3.2
Daily Workers	11.8	3.5	12.2	3.4	13.4	3.2
Other categories	11.0	3.4	11.7	3.2	12.9	3.0

expectations whereas financial sector employees expected lowest inflation (Table 9).

### III.8 Age Group-wise Expectations

The survey covers only adult respondents of 18 years or more. During the current survey round, the respondents in the age group 'up to 25 years' and '55 year and above' are found to expect the highest inflation rates for the three-month ahead and one-year ahead periods (Table 10). However, in other age group, no specific pattern is observed in inflation expectations.

### III.9 City-wise Expectations

Significant variations are observed in the inflation expectations across different cities, which may be attributed to the divergence in consumption pattern between cities. In the latest round of survey, current inflation was found to be the highest in Jaipur and the lowest in Patna. However, for three-month ahead and one-year ahead periods, households in Bangalore expected the highest and households in Hyderabad

**Table 10: Age Group-wise Inflation Expectations for June 2011 Survey Round**

Age	Current		Three-month Ahead		One-year Ahead	
	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
Upto 25 years	11.3	3.5	12.1	3.2	13.3	3.1
25 to 30 years	11.2	3.4	11.8	3.2	12.9	3.3
30 to 35 years	11.3	3.4	11.8	3.3	12.8	3.4
35 to 40 years	11.2	3.4	11.7	3.4	12.8	3.2
40 to 45 years	11.0	3.3	11.7	3.1	12.7	3.3
45 to 50 years	11.4	3.5	11.8	3.4	12.8	3.5
50 to 55 years	11.1	3.3	11.5	3.5	12.7	3.4
55 to 60 years	11.3	3.4	12.1	3.2	13.3	2.9
60 years and above	11.5	3.5	12.1	3.3	13.3	3.2
<b>All</b>	<b>11.2</b>	<b>3.4</b>	<b>11.8</b>	<b>3.3</b>	<b>12.9</b>	<b>3.3</b>

expected the lowest inflation (Table 11). The variability in responses was the highest in Ahmedabad and the lowest in Patna for the current inflation.

### III.10 Cross-tabulation of Current Inflation and Future Expectations

The distribution of inflation expectations expresses the degree of respondents' optimism on future price movement *vis-à-vis* current price changes. The cross-tabulation depicting the relationship between the current and future inflation expectations for three-month and one-year ahead period are presented in Table 12 & Table 13 and the same is depicted in Chart 3 also. It may be observed that 52.8 per cent respondents perceived double-digit current inflation. Similarly, 71.5 per cent and 81.4 per cent of the respondents expected the double-digit inflation rates for the three-month ahead and one-year ahead periods. A cross-tabulation of the current inflation

**Table 11: City-wise Inflation Expectations for June 2011 Survey Round**

City	Current		Three-month Ahead		One-year Ahead	
	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
Mumbai	14.4	2.8	14.4	3.8	15.4	2.7
Delhi	11.0	3.6	11.9	3.7	13.4	3.2
Chennai	11.7	2.2	12.5	2.2	11.6	3.4
Kolkata	9.6	1.2	10.0	1.7	10.1	2.3
Bangalore	15.6	2.2	15.7	2.0	15.9	1.6
Hyderabad	8.5	2.1	8.9	2.2	9.8	2.4
Ahmedabad	11.6	3.7	13.3	2.8	14.8	1.9
Lucknow	8.6	1.2	10.5	1.6	13.0	2.1
Jaipur	15.7	2.3	12.1	4.9	15.5	3.1
Bhopal	8.9	1.3	10.1	1.4	11.9	1.8
Patna	7.6	0.7	10.4	0.9	14.6	1.5
Guwahati	9.8	1.0	10.3	1.2	10.6	1.5
<b>All</b>	<b>11.2</b>	<b>3.4</b>	<b>11.8</b>	<b>3.3</b>	<b>12.9</b>	<b>3.3</b>

**Table 12: Cross-tabulation of Current and Three-month Ahead Inflation Expectations**

		Three-month ahead inflation rate (per cent)																	No Idea	Total		
		< 1	1-2	2-3	3-4	4-5	5-6	6-7	7-8	8-9	9-10	10-11	11-12	12-13	13-14	14-15	15-16	>=16				
Current inflation rate (per cent)	<1	1	1	1																	3	
	1-2		1		1																	2
	2-3				2		1															3
	3-4		1		3	4	2															11
	4-5					4	4	6	1	1						1						17
	5-6					1	7	4	3		1	1			1							18
	6-7					1	3	25	32	22	8	14	6	1	1							113
	7-8							4	84	106	93	165	38	10	3			1				504
	8-9	7					1	2	20	152	275	129	29	24	4	2	1	1				647
	9-10									17	143	281	90	24	6	4	1	2	2	2		570
	10-11	3			1					2	5	160	229	52	16	1	3	2	4	4		478
	11-12	4										9	53	128	26	4	1	3	2	2		230
	12-13	1											3	36	108	18	3	3	3			172
	13-14						1		1					3	12	99	17	3				136
	14-15	2						2						2	2	21	97	28				154
	15-16	2									1					2	11	97				113
	>=16	36				1	6	8	3	8	1	33	4	19	7	16	5	681	1			829
	Total	56	3	1	7	11	25	51	144	308	526	792	453	299	186	168	141	820	9			4000

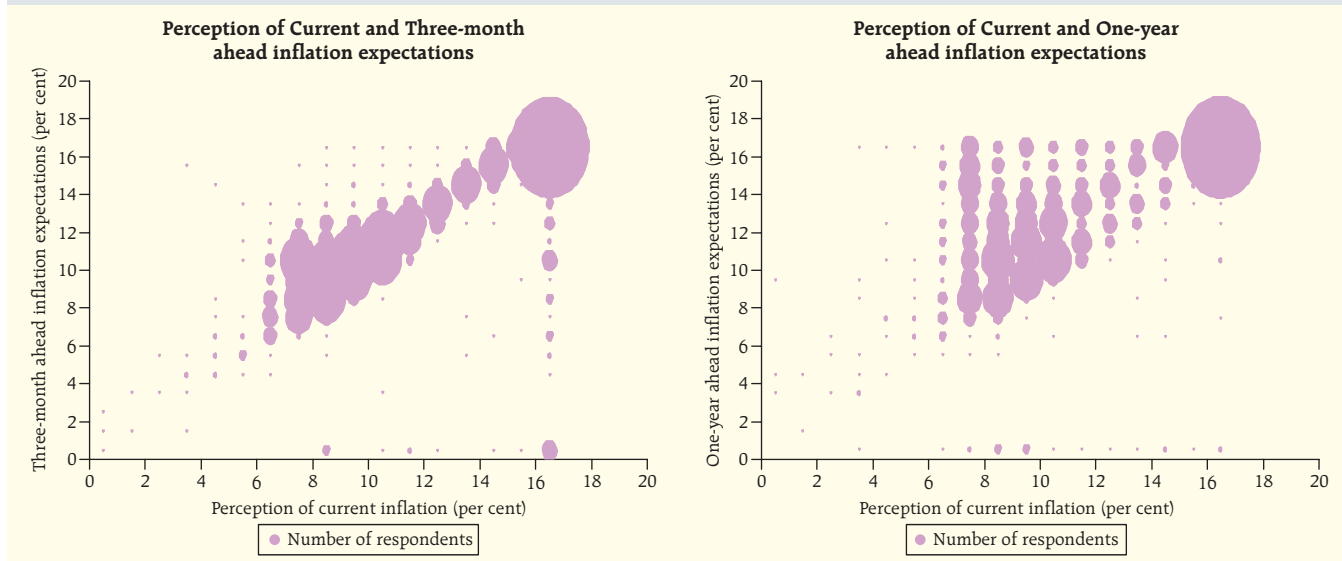
perception with the future inflation expectations points out that among the 52.8 per cent (66.3 per cent in previous round) respondents who perceived the current inflation in double-digit, 95.5 per cent (93.7

per cent in previous round) and 96.8 per cent (92.3 per cent in previous round) respondents expected that it would remain in the same level for three-month ahead period, and one-year ahead respectively.

**Table 13: Cross-tabulation of Current and One-year Ahead Inflation Expectations**

		One-year ahead inflation rate (per cent)																	No Idea	Total		
		< 1	1-2	2-3	3-4	4-5	5-6	6-7	7-8	8-9	9-10	10-11	11-12	12-13	13-14	14-15	15-16	>=16				
Current inflation rate (per cent)	<1				1	1					1										3	
	1-2		1			1																2
	2-3				1		1	1														3
	3-4	1			4	1	1			1	1										2	11
	4-5					1		3	5			3		1						3	1	17
	5-6						2	4	4	1	2	3								2		18
	6-7	1					3	9	19	20	6	8	13	8	3	10	8	5				113
	7-8	5					1	3	25	88	43	43	33	44	44	73	54	45	3			504
	8-9	12					1	5	14	126	59	160	80	69	46	26	28	19	2			647
	9-10	10							3	13	161	51	134	68	56	27	10	31	6			570
	10-11	3								1	3	17	170	46	112	44	40	18	19	5		478
	11-12	3											23	63	18	61	21	17	21	3		230
	12-13	3											2	14	39	16	62	15	20	1		172
	13-14	2							1		1			2	20	34	6	42	28			136
	14-15	5							1			1	1		2	18	23	13	90			154
	15-16	2													1	4	16	90				113
	>=16	7							1			4		3	1	5		801	7			829
	Total	54	1		6	4	9	28	71	253	291	468	385	384	324	297	221	1176	28			4000

**Chart 3: Relationship in the Perception level of Current Inflation with Future Expectations**



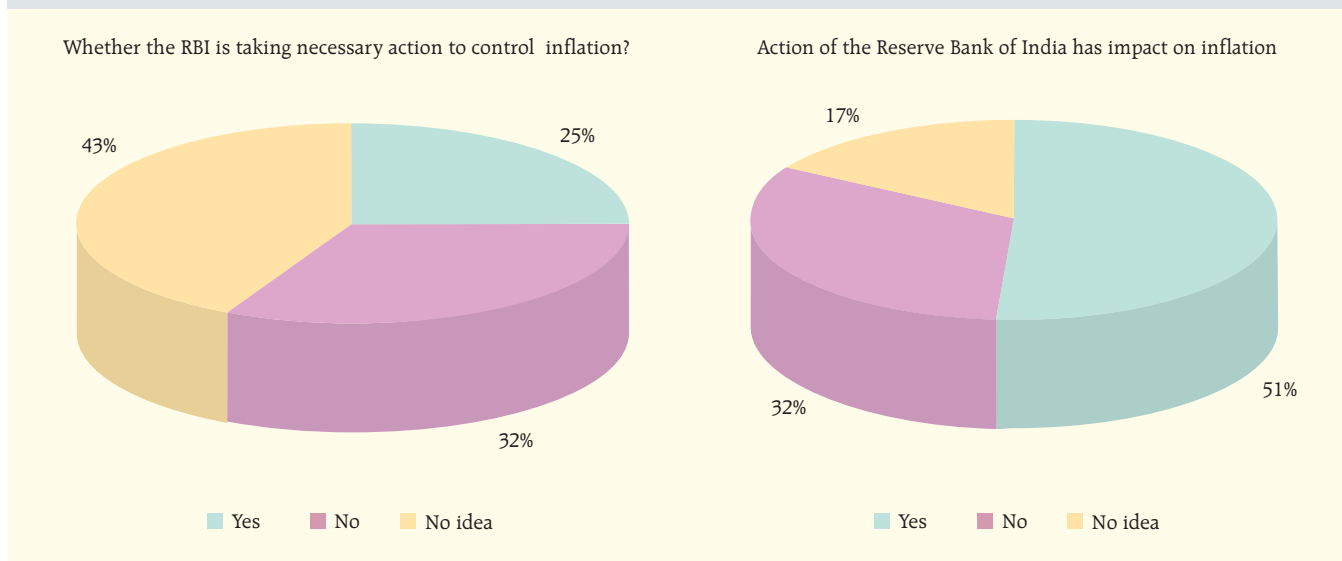
**III.11 Awareness on Reserve Bank of India's Action to Control Inflation**

An additional block (Block 4) was added to the survey schedule from the 21<sup>st</sup> round (September 2010) to gauge the awareness of public on Reserve Bank's action on inflation control. Out of the two questions in this block, the first one elicits the respondent's awareness whether the Reserve Bank is taking necessary action for controlling inflation whereas the second one seeks whether the respondent thinks that the Reserve Bank's action has any impact on inflation. The responses for the latest survey round are presented

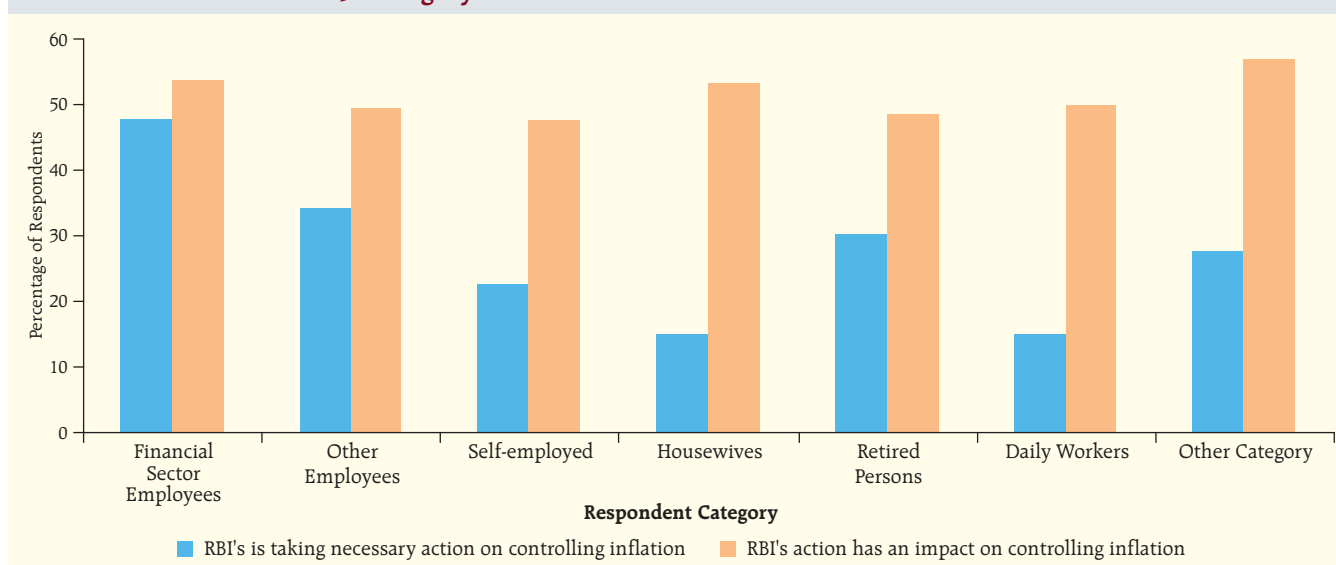
in Chart 4. 57 per cent of households felt that the Reserve Bank is taking action to control inflation. Of these, 25 per cent of the respondents felt that the Reserve Bank is taking necessary action to control inflation. Out of these 25 per cent respondents, 51 per cent felt that the Reserve Bank's action has an impact on controlling inflation.

The category-wise distribution of the responses based on this block of the survey schedule shows that the awareness on the Reserve Bank's action on inflation control is the most among 'financial sector employees' and was the least in case of 'daily workers' and 'housewives' (Chart 5).

**Chart 4: Respondents' view on RBI's Action to Control Inflation**





**Chart 5: Category-wise Awareness on RBI's Action on Inflation Control**

The category-wise distribution of the responses on 'the impact of RBI's action on inflation control' out of the 25 per cent respondents who felt that the Reserve Bank is taking necessary action to control inflation is presented in Table 14.

#### IV A Bootstrap Confidence Interval for Inflation Expectations

In the previous Sections, the average rates of inflation expectations are presented. As the exact distribution of the population variable under study,

**Table 14: Category-wise Responses on the Impact of RBI's Action on Inflation Control**

Category	Impact of RBI's action on inflation control (per cent of respondents*)		
	Yes	No	No Idea
Financial Sector Employees	53.8	33.2	13.0
Other Employees	49.5	34.2	16.2
Self-employed	47.6	34.2	18.2
Housewives	53.3	26.1	20.6
Retired Persons	48.6	33.6	17.8
Daily Workers	50.0	35.2	14.8
Other Category	56.9	29.2	13.8

\* Respondents who are aware of the RBI's action on inflation control

**Table 15: 99% Bootstrap Confidence Intervals (BCI) Based on 10,000 Resamples**

Current		Three-month Ahead		One-year Ahead	
99% BCI for Mean %	Interval width	99% BCI for Mean %	Interval width	99% BCI for Mean %	Interval width
(11.38, 11.10)	0.28	(11.96, 11.69)	0.27	(13.07, 12.81)	0.26

*i.e.*, inflation expectations is unknown, bootstrap re-sampling method for statistical inference has been used to derive the interval estimates of the average inflation expectations of households. These confidence intervals for mean are presented to give an idea of the error associated with the estimates of households' inflation expectations.

Drawing 10,000 re-samples using simple random sampling with replacement from the sample of the survey, 99 per cent Bootstrap Confidence Intervals (BCI) for mean were obtained. The results are presented in Table 15. It is observed that the exercise leads to a confidence interval with a small width indicating that the point estimates are quite precise for estimating the population means of households' expectations of inflation.

**Statement I: Percentage of Respondents – Product-wise Expectations of  
Prices for Three-month and One-year Ahead**

<b>1. General</b>										
Round No./survey period (quarter ended) →	15	16	17	18	19	20	21	22	23	24
	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11
<b>Options</b>	<b>Three-month ahead (percentage of respondents)</b>									
<b>Prices will increase</b>	92.0	93.1	95.8	97.4	95.7	95.3	96.5	98.6	96.0	98.7
Price increase more than current rate	54.9	63.5	72.2	74.6	66.9	72.7	72.2	74.3	72.9	71.8
Price increase similar to current rate	22.4	20.7	18.4	16.6	20.0	20.0	21.0	22.0	20.4	19.8
Price increase less than current rate	14.8	8.9	5.1	6.2	8.8	2.6	3.3	2.3	2.7	7.1
<b>No change in prices</b>	6.9	6.1	3.7	2.4	3.4	4.2	2.9	1.1	3.5	1.2
<b>Decline in price</b>	1.1	0.9	0.6	0.3	0.9	0.5	0.6	0.4	0.5	0.1
<b>Options</b>	<b>One-year Ahead (percentage of respondents)</b>									
<b>Prices will increase</b>	95.6	93.7	96.3	96.3	96.5	95.2	95.6	98.9	96.1	98.7
Price increase more than current rate	64.7	62.8	69.5	68.2	62.8	70.8	70.4	77.4	73.4	73.3
Price increase similar to current rate	15.9	18.5	17.3	15.2	19.8	18.7	19.7	17.9	18.6	18.0
Price increase less than current rate	15.0	12.4	9.5	12.9	13.9	5.7	5.6	3.6	4.2	7.4
<b>No change in prices</b>	3.3	5.3	3.1	3.1	2.6	3.8	3.5	0.9	3.5	1.3
<b>Decline in price</b>	1.1	0.9	0.7	0.6	0.9	1.1	0.9	0.3	0.3	0.0
<b>2. Food Prices</b>										
Round No./survey period (quarter ended) →	15	16	17	18	19	20	21	22	23	24
	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11
<b>Options</b>	<b>Three-month Ahead (percentage of respondents)</b>									
<b>Prices will increase</b>	93.6	94.6	96.3	98.0	95.9	95.8	96.7	98.1	95.4	98.6
Price increase more than current rate	58.6	64.5	76.1	81.1	70.4	74.9	74.7	73.1	69.4	72.0
Price increase similar to current rate	23.3	21.5	15.0	11.7	15.5	17.7	18.0	21.3	21.0	17.5
Price increase less than current rate	11.8	8.6	5.2	5.3	10.0	3.2	4.0	3.7	5.1	9.1
<b>No change in prices</b>	5.6	4.6	3.0	1.4	3.1	3.5	2.3	1.4	3.8	1.2
<b>Decline in price</b>	0.8	0.9	0.8	0.6	1.0	0.7	1.0	0.6	0.8	0.2
<b>Options</b>	<b>One-year Ahead (percentage of respondents)</b>									
<b>Prices will increase</b>	96.6	94.7	96.2	96.5	96.8	95.6	95.7	98.6	95.9	98.6
Price increase more than current rate	66.2	63.6	71.0	72.1	65.9	72.8	71.7	76.4	75.5	73.6
Price increase similar to current rate	18.1	18.9	15.2	11.9	16.5	16.9	17.8	17.8	16.6	17.2
Price increase less than current rate	12.4	12.2	10.0	12.5	14.5	5.9	6.2	4.4	3.9	7.9
<b>No change in prices</b>	2.7	4.5	2.9	2.7	2.3	3.3	3.2	1.1	3.6	1.3
<b>Decline in price</b>	0.7	0.8	0.9	0.9	0.9	1.1	1.1	0.4	0.5	0.1
<b>3. Non-Food Prices</b>										
Round No./survey period (quarter ended) →	15	16	17	18	19	20	21	22	23	24
	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11
<b>Options</b>	<b>Three-month Ahead (percentage of respondents)</b>									
<b>Prices will increase</b>	91.0	91.4	94.7	95.8	94.0	92.9	95.4	95.9	95.0	98.0
Price increase more than current rate	48.6	51.2	59.3	63.1	57.4	60.1	64.4	58.8	58.4	65.6
Price increase similar to current rate	25.5	28.4	27.1	24.8	28.0	29.4	27.3	33.2	31.3	25.0
Price increase less than current rate	17.0	11.8	8.3	7.9	8.7	3.4	3.7	3.9	5.3	7.4
<b>No change in prices</b>	7.8	7.7	4.7	3.7	4.8	6.3	3.9	0.5	4.4	1.9
<b>Decline in price</b>	1.2	1.0	0.7	0.5	1.2	0.9	0.7	0.7	0.6	0.1
<b>Options</b>	<b>One-year Ahead (percentage of respondents)</b>									
<b>Prices will increase</b>	94.6	91.9	95.2	94.6	94.7	92.8	94.6	97.5	94.7	97.8
Price increase more than current rate	57.5	53.1	59.6	60.7	53.0	59.7	64.0	65.2	59.9	66.9
Price increase similar to current rate	20.4	25.0	23.6	20.7	27.6	26.4	24.9	28.1	29.2	24.0
Price increase less than current rate	16.7	13.8	12.1	13.2	14.1	6.7	5.7	4.2	5.6	7.0
<b>No change in prices</b>	4.1	7.3	4.0	4.6	4.2	5.9	4.4	2.2	4.6	2.0
<b>Decline in price</b>	1.4	0.8	0.8	0.8	1.1	1.3	1.0	0.4	0.7	0.1

**Statement I: Percentage of Respondents – Product-wise Expectations of  
Prices for Three-month and One-year Ahead (contd.)**

4. Prices of Household durables										
Round No./survey period (quarter ended) →	15	16	17	18	19	20	21	22	23	24
	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11
<b>Options</b>	<b>Three-month ahead (percentage of respondents)</b>									
<b>Prices will increase</b>	82.5	80.0	86.8	87.7	86.4	87.1	89.7	91.9	90.4	91.7
Price increase more than current rate	33.2	37.2	38.4	45.5	44.1	45.1	45.8	45.5	47.0	49.0
Price increase similar to current rate	24.2	26.3	30.5	23.4	27.2	30.5	32.9	28.9	28.0	30.6
Price increase less than current rate	25.2	16.5	18.0	18.9	15.1	11.6	11.0	17.5	15.4	12.1
<b>No change in prices</b>	14.6	15.7	11.0	9.5	8.8	9.1	6.3	5.9	5.9	6.7
<b>Decline in price</b>	2.9	4.4	2.2	2.9	4.8	3.8	4.1	2.4	3.8	1.7
<b>Options</b>	<b>One-year Ahead (percentage of respondents)</b>									
<b>Prices will increase</b>	84.6	80.4	88.7	87.8	85.2	87.2	89.0	94.4	91.3	92.8
Price increase more than current rate	40.1	38.4	43.3	45.5	43.2	46.6	46.3	48.6	49.6	52.0
Price increase similar to current rate	22.4	24.3	28.2	22.1	25.4	30.1	31.8	32.5	29.0	25.7
Price increase less than current rate	22.1	17.7	17.3	20.3	16.6	10.6	11.0	13.3	12.8	15.1
<b>No change in prices</b>	11.2	16.2	9.1	8.5	9.6	8.0	6.7	3.8	5.7	5.4
<b>Decline in price</b>	4.2	3.5	2.2	3.7	5.3	4.8	4.3	1.9	3.0	1.9
5. Housing Prices										
Round No./survey period (quarter ended) →	15	16	17	18	19	20	21	22	23	24
	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11
<b>Options</b>	<b>Three-month ahead (percentage of respondents)</b>									
<b>Prices will increase</b>	89.8	92.4	93.8	96.1	95.2	96.1	96.0	97.0	94.5	95.2
Price increase more than current rate	46.2	55.9	64.4	70.8	60.4	70.8	64.6	73.1	73.5	65.4
Price increase similar to current rate	26.4	25.4	22.0	19.8	25.4	21.0	24.8	21.3	18.3	23.5
Price increase less than current rate	17.2	11.1	7.4	5.6	9.5	4.3	6.7	2.6	2.7	6.4
<b>No change in prices</b>	8.3	6.4	5.0	3.4	3.5	3.1	2.8	2.1	4.7	4.5
<b>Decline in price</b>	1.9	1.3	1.2	0.5	1.3	0.9	1.2	0.9	0.8	0.3
<b>Options</b>	<b>One-year Ahead (percentage of respondents)</b>									
<b>Prices will increase</b>	93.0	93.0	94.9	96.4	94.1	96.1	95.3	97.9	94.8	97.6
Price increase more than current rate	57.4	57.6	66.0	73.4	61.0	72.0	65.9	75.5	72.1	70.4
Price increase similar to current rate	20.0	22.1	21.4	15.1	21.7	19.1	21.6	19.4	20.1	21.7
Price increase less than current rate	15.6	13.3	7.6	7.9	11.4	5.0	7.9	3.0	2.7	5.6
<b>No change in prices</b>	5.4	5.8	3.8	2.9	4.6	2.7	3.2	1.4	4.6	2.0
<b>Decline in price</b>	1.6	1.2	1.3	0.7	1.3	1.2	1.5	0.8	0.6	0.4
6. Cost of Services										
Round No./survey period (quarter ended) →	15	16	17	18	19	20	21	22	23	24
	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11
<b>Options</b>	<b>Three-month ahead (percentage of respondents)</b>									
<b>Prices will increase</b>	87.8	87.3	92.4	91.7	89.9	94.1	94.2	94.1	91.6	96.2
Price increase more than current rate	42.2	53.1	63.7	62.7	58.6	63.2	59.2	61.4	62.1	61.0
Price increase similar to current rate	29.2	22.2	22.9	21.2	23.9	26.2	28.6	28.9	26.4	26.2
Price increase less than current rate	16.4	12.0	5.8	7.8	7.5	4.8	6.4	3.8	3.1	9.1
<b>No change in prices</b>	10.4	11.3	6.3	7.0	6.7	4.8	5.2	4.5	7.7	3.8
<b>Decline in price</b>	1.8	1.5	1.3	1.4	3.4	1.1	0.6	1.4	0.7	0.0
<b>Options</b>	<b>One-year Ahead (percentage of respondents)</b>									
<b>Prices will increase</b>	90.7	88.1	95.0	92.3	89.9	94.2	94.3	95.2	91.2	97.3
Price increase more than current rate	49.2	54.4	65.6	62.9	57.2	63.2	58.0	64.6	62.6	62.7
Price increase similar to current rate	23.9	20.2	21.5	18.5	23.0	24.9	29.5	25.7	24.4	25.3
Price increase less than current rate	17.6	13.5	7.9	10.9	9.8	6.1	6.8	4.9	4.2	9.3
<b>No change in prices</b>	7.3	10.3	4.1	6.0	6.9	4.6	4.9	4.1	8.2	2.6
<b>Decline in price</b>	2.1	1.6	1.0	1.8	3.2	1.2	0.9	0.7	0.7	0.1

Annex



**RESERVE BANK OF INDIA**  
**DEPARTMENT OF STATISTICS AND INFORMATION MANAGEMENT**  
**INFLATION EXPECTATIONS SURVEY OF HOUSEHOLDS,**  
**March 2011**

Respondent's Code

Round No.	Zone	City	Gender	Age group	Category	Sr. No.
24						

**Block 1: Identification of the Respondent**

- Name of the Respondent: \_\_\_\_\_
- Address of the Respondent: \_\_\_\_\_

City	State	PIN
------	-------	-----

- Telephone/Mobile No.: \_\_\_\_\_
- Gender of the respondent (Please tick (✓) appropriate one) [1] Male [2] Female
- Age of the respondent (in completed years, above 18 years): \_\_\_\_\_
- Category of the respondent (Please tick (✓) appropriate one)

Financial Sector Employees	Other Employees	Self-Employed	House Wife	Retired Persons	Daily workers	Others
----------------------------	-----------------	---------------	------------	-----------------	---------------	--------

**Block 2: Expectations of respondent on prices in next 3 months:** (Please tick (✓) the relevant cell for each Col.)

OPTIONS	General	Food Products	Non-Food Products	Household durables	Housing	Services
i Price increase more than current rate						
ii Price increase similar to current rate						
iii Price increase less than current rate						
iv No change in prices						
v Decline in prices						

**Block 3: Expectations of respondent on prices in next one year:** (Please tick (✓) the relevant cell for each Col.)

OPTIONS	General	Food Products	Non-Food Products	Household durables	Housing	Services
i Price increase more than current rate						
ii Price increase similar to current rate						
iii Price increase less than current rate						
iv No change in prices						
v Decline in prices						

**Block 4: Respondent's feedback on Reserve Bank's Action on Price stability**

*Do you feel Reserve Bank of India is taking necessary action on controlling Inflation? Options-Yes/No/No idea*  
*If Yes, do you think it has any impact on Inflation? Options- Yes/No/No idea*

**Block 5: Respondent's views on the following inflation rates:**(Please tick (✓) the relevant cell)

Parameters	Options								
	Less than 1%	1 - 2 %	2 - 3 %	3 - 4 %	4 - 5 %	5 - 6 %	6 - 7%	7 - 8%	8 - 9%
Current inflation rate	9 - 10%	10 - 11%	11 - 12%	12 - 13%	13 - 14%	14 - 15%	15 - 16 %	16 % and above	No idea
Inflation rate after 3 months	Less than 1%	1 - 2 %	2 - 3 %	3 - 4 %	4 - 5 %	5 - 6 %	6 - 7%	7 - 8%	8 - 9%
	9 - 10%	10 - 11%	11 - 12%	12 - 13%	13 - 14%	14 - 15%	15 - 16 %	16 % and above	No idea
Inflation rate after one year	Less than 1%	1 - 2 %	2 - 3 %	3 - 4 %	4 - 5 %	5 - 6 %	6 - 7%	7 - 8%	8 - 9%
	9 - 10%	10 - 11%	11 - 12%	12 - 13%	13 - 14%	14 - 15%	15 - 16 %	16 % and above	No idea

**Block 6: Please specify the amount you have paid for the purchases of the following major food items during the last one month**

(1)	(2)	(3)	(4)	(5)
Milk (₹ per litre)	Wheat-atta (₹ per Kg.)	Rice (₹ per Kg.)	Chana-dal (₹ per Kg.)	Tur-dal (₹ per Kg.)

Name of the Investigator: _____	Signature of the Investigator: _____	Date of the Interview (DD/MM/YYYY) / /2011
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## Annex (Contd.)

## Description of Parameters

<b>Food Products</b>	<ul style="list-style-type: none"> <li>(i) Cereals (Wheat, Rice, Pulses, <i>etc.</i>), Fruits, Vegetables, Sugar, Edible oils, Dairy products and Bakery products, Tea, Coffee, <i>etc.</i></li> <li>(ii) Meat, fish and sea products</li> <li>(iii) Soft drinks carbonated and Mineral water, Beverages</li> <li>(iv) Bidi, cigarette and other tobacco products like zarda, pan masala and related products, <i>etc.</i></li> </ul>
<b>Non-Food Products</b>	<ul style="list-style-type: none"> <li>(i) Clothes and wearing apparels</li> <li>(ii) Pharmaceutical and Medicines, Cleaning and polishing products, Soaps and detergents</li> <li>(iii) Rubber and rubber products, Tyres and tubes</li> <li>(iv) Plastic and plastic products</li> <li>(v) Leather and leather products (footwear, <i>etc.</i>)</li> <li>(vi) Paper and paper products (stationery, <i>etc.</i>)</li> <li>(vii) Petroleum and coal products</li> <li>(viii) Basic chemical and chemical products, Dyes and dyestuff</li> <li>(ix) Basic metal and non-metallic mineral products, <i>etc.</i></li> </ul>
<b>Household Durables</b>	<ul style="list-style-type: none"> <li>(i) Audiovisual equipment (Radio, television, video camera telephone microphone, mobile, <i>etc.</i>)</li> <li>(ii) Furniture, Wood and wood products</li> <li>(iii) Washing machines, Air cooler and Air conditioner</li> <li>(iv) Personal computer</li> <li>(v) Watches and clocks, <i>etc.</i></li> </ul>
<b>Housing</b>	<ul style="list-style-type: none"> <li>(i) Construction and maintenance of residential/office premises</li> <li>(ii) Site preparation</li> </ul>
<b>Services</b>	<ul style="list-style-type: none"> <li>(i) Computer, related activities like computer hardware/software consultancy, data processing, computer-related education institute</li> <li>(ii) Health and social work</li> <li>(iii) Banking/postal services</li> <li>(iv) Activities of membership organisations</li> <li>(v) Other business activities like washing, cleaning, hairdressing, courier activities, <i>etc.</i></li> </ul>

## Article

*Inflation Expectations Survey of Households:  
June 2011 (Round 2A)*

### Annex (Concl.)

#### Code Lists for filling in Respondents' Codes:

##### A. Zone Codes

Sr.No.	Zone	Zone Code
1	Mumbai	1
2	Kolkata	2
3	Chennai	3
4	Delhi	4

##### B. City Codes

Zone	Sr.No	City Name	City Code
Mumbai	1	Mumbai	600
	2	Ahmedabad	540
	3	Bhopal	700
Kolkata	4	Kolkata	100
	5	Guwahati	010
	6	Patna	060
Chennai	7	Chennai	900
	8	Hyderabad	800
	9	Bangalore	840
Delhi	10	Delhi	290
	11	Jaipur	500
	12	Lucknow	200

##### C. Gender Codes

Sr.No.	Gender	Gender Code
1	Male	1
2	Female	2

##### D. Category Codes

Sr. No.	Category of Respondent	Category Code
1	Financial sector employees	1
2	Other employees	2
3	Self-employed	3
4	Housewives	4
5	Retired persons	5
6	Daily workers	6
7	Other categories	7

##### E. Age Group Codes

Sr.No.	Age Group	Age group code
1	Up to 25 years	1
2	25 to 30 years	2
3	30 to 35 years	3
4	35 to 40 years	4
5	40 to 45 years	5
6	45 to 50 years	6
7	50 to 55 years	7
8	55 to 60 years	8
9	60 years and above	9